

STATE OF UTAH
AGRICULTURE RESOURCE DEVELOPMENT LOAN PROGRAM
(ARDL)

POLICIES AND GUIDELINES

Administered by
Utah Conservation Commission
Through the
Utah Department of Agriculture and Food
350 North Redwood Road
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DEFINITIONS

ARDL PROGRAM COORDINATOR: The Agriculture Loan Administrator for the Utah Department of Agriculture and Food who functions as the supervisor of the Conservation Commission loan staff.

BORROWER (contractee): A person borrowing Agriculture Resource Development funds. Also referred to as the cooperator.

COMMISSION (contractor): The Utah Conservation Commission.

COMMISSIONER: The Commissioner of the Utah Department of Agriculture and Food, who is also chair of the Conservation Commission.

CONSERVATION DISTRICT (CD): Legally created subdivision of state government. CDs are responsible local bodies whose major concern is conservation, protection and wise use of renewable natural resources.

CONSERVATION DISTRICT BOARD OF SUPERVISORS: Five elected supervisors who are responsible for directing CD activities.

COOPERATOR: One who has signed a Cooperator Agreement with the Commission.

FARM: A tract of land used for the production of crops and/or livestock of at least five (5) acres in size. The gross sales of farm products from the tract, excluding rental income, must exceed \$1,000 per year. Smaller tracts of land may be eligible for funding within group projects where that tract of land is an integral part of the group project.

FARMLAND: Irrigated or non-irrigated privately owned or leased land used primarily for the production of crops; such as hay, pasture, grain, truck crops, fruits, nuts, berries, seeds, turf and decorative plants.

NATURAL RESOURCES CONSERVATION SERVICE (NRCS): The USDA Natural Resources Conservation Service, an agency of the United States Department of Agriculture.

PROGRAM YEAR: The ARDL program is a continuous program subject to future appropriations. For accounting and payment purposes, the program year will be the State fiscal year (currently July 1- June 30).

RANGELAND: Non-irrigated land used primarily for the grazing of domestic livestock and wildlife.

RESOURCE IMPROVEMENT AND MANAGEMENT PLAN: The document which describes practices which have been selected to be implemented, schedule for implementing practices, and the estimated cost of implementing practices.

ZONE: A group of CDs that have been combined on a geographic basis to allow for greater efficiency in program management. Currently there are seven zones.

ZONE EXECUTIVE COMMITTEE (ZEC): A group consisting of one representative from each CD within the zone. The Committee shall be chaired by the Zone Commission Representative or in his/her absence, by the alternate Commission Representative. The chairman will only vote on issues in the event of a tie vote.

PART 1

PROGRAM OBJECTIVES

- A. The objectives of the Agriculture Resource Development Loan (ARDL) program are to:
 - 1. Conserve soil resources.
 - 2. Conserve water resources.
 - 3. Increase agricultural yields for:
 - (a) Cropland
 - (b) Orchards/vineyards
 - (c) Pasture
 - (b) Range
 - (c) Livestock
 - 4. Maintain and improve water quality.
 - 5. Conserve and improve wildlife habitat.
 - 6. Prevent flooding.
 - 7. Conserve and/or develop on-farm energy.
 - 8. Mitigate damages to agriculture as a result of flooding, droughts, or other natural disasters.
- B. Decisions concerning the use of loan program funds will be based on achievement of program objectives. The administration of the program shall emphasize coordinated resource planning and decision making to ensure maximum benefit of loan funds. The program is available to groups such as grazing associations, irrigation companies and agricultural cooperatives in addition to individuals.
- C. ARDL project improvements may be located on lands within the borders of the State of Utah. Loan security must be within the State of Utah.
- D. ARDL funds may not be used to finance projects primarily for labor savings or operator convenience, or where adequate and efficient conservation resource development projects already exist. All practices funded through this program must be maintained at operator expense throughout the life of the loan.

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PART 2

DISTRIBUTION OF AGRICULTURE RESOURCE DEVELOPMENT LOAN FUNDS

- A. Commission allocation of loan funds.
 - 1. The Commission will ensure that available ARDL funds can be borrowed for use in the rangeland, watershed and energy programs. During periods when funds are not available for all loan applications, the priority will be that 40 percent of the funds be made available for range improvements and 10 percent of the funds will be made available for watershed and energy programs. These priorities need to be observed only if there are sufficient applications with acceptable plans to utilize the required funds for these purposes.
 - 2. Allocation of ARDL program funds.

- (a) The Commission will allocate available ARDL funds to the zones in January of each year for the rangeland and cropland programs as follows:
 - (1) Each zone will receive ARDL funds based on demonstrated need as indicated by projects that have completed and approved resource improvement and management plans ready for funding.
 - (2) Excess ARDL funds will be allocated to the zones on an equal basis.
- (b) The Commission will review zone allocations semi-annually and redistribute funds as needed by the various zones. The Commission will take into consideration the present need for funds based on completed conservation plans ready for funding. Funds committed to applications more than one year old on which no action has been taken will be subject to redistribution for use by active loan applications.

3. Exceptions for special projects.

- (a) In cases where there are projects requiring more funds than would be available to a conservation district in a given year. Or if there is a project of such a size as to require all or a major portion of funds available to a district for more than one year through the normal allocation process. The Commission may, by a two-thirds majority vote, allocate all or a major part of available ARDL funds to such projects (e.g. a complete watershed).
- (b) To receive consideration for funding of such projects, the district must provide a completed resource improvement and management plan to the Commission at least one month before a Commission meeting when ARDL funds are allocated to the zones.
- (c) Districts that receive funds for such projects, upon completion of such projects, will be ineligible for future ARDL funds for as many years as would equal those in which they received preferential ARDL funding. This restriction will not apply if there are insufficient needs by other districts throughout the state to use all available ARDL funds.

4. Energy program monies will be available directly through the Commission. Requests for these funds should be submitted directly to the Commission.

5. For the purposes of protecting its interest in a defaulting loan, the Commission may use either appropriated or repayment monies to purchase or otherwise obtain property in which the Commission has acquired a security interest by any mortgage, trust deed, , pledge, assignment, judgment, or other means at any execution, bankruptcy, or foreclosure sale.

6. The Commission may also operate or lease, if necessary to protect its investment, any property in which it has an interest, or sell or otherwise dispose of such property to recover loaned funds.

B. Zone Allocation and Distribution.

1. The ZEC will be comprised of one representative from each CD within the zone.
2. The chairman of the ZEC will be the Commission/Zone Director representative from the zone and will serve as the presiding officer. In the event the Commission representative cannot attend, the chairmanship will revert to the alternate Commission/Zone Director representative from the zone.
3. Each CD will have one vote in considering the allocation of ARDL funds within the zone. The chairman will vote only in the case of a tie.
4. The ZEC will be responsible for:
 - a. The distribution and allocation of ARDL funds to districts within the zone.
 - b. Receiving and reviewing district ARDL program plans and reports.
 - c. Establishing zone level ARDL program plans and reports to submit to the Commission.
 - d. Following up on the accountability of the loan program.

5. The ZEC will be required to meet as often as necessary to effectively carry out the functions of the program. The chairman will be required to notify each ZEC member of the ZEC meetings at least 15 days in advance with a copy of the meeting agenda and time and place of the meeting.
6. Minutes of all ZEC meetings will be kept, and a summary of zone fund distribution will be submitted to the Commission semi-annually..



PART 3

PRACTICES ELIGIBLE FOR PROGRAM

- A. The list of practices eligible for funding under the ARDL program, along with a detailed description of purposes and policies, may be found in Part 18. Reasonable costs of engineering may be included as part of the cost of the plan.
- B. Special practice approval may be requested by preparing a description of the practice, appropriate limits or extent of loan fund assistance, and justification of the need for the special practice. The request may be prepared by CD Boards or the Zone Directors and submitted to the Commission for approval.
- C. Standards and specifications for practices will be those found in the NRCS Field Office Technical Guides. If there is a need to establish new standards and specifications for special practices, they should be submitted along with requests for special practice approval to the Commission.



PART 4

RESPONSIBILITY FOR TECHNICAL PHASES OF PRACTICES

- A. A coordinated resource planning process will be used where appropriate to develop the proposed resource improvement and management plan through interagency and interdisciplinary input from appropriate state and federal agencies.
- B. Technical assistance may involve one or more of the following phases:
 1. Determination of the need for the practice.
 2. Site selection, determination of measures needed, and required planning design and layout of the practice.
 3. Providing necessary supervision of installation of a practice to assure conformity with specifications (NRCS approved standards and specifications where applicable - Commission approved standards and specifications when applicable).
 4. Inspection to ensure that specifications have been met and the practice is properly deployed.
 5. Source of Technical Assistance. The CD Board will identify the members of the interdisciplinary interagency team which will assist in the preparation of the resource improvement and management plan.
- D. Cultural Resources Preservation.
 1. Those projects funded solely by ARDL funds will require compliance with Section 9-8-404 of the Utah Code. Compliance will be part of project planning, and those providing technical

assistance should consult with the State Historic Preservation Officer (SHPO) or a qualified archaeologist when the project planner and/or other involved persons are aware of the existence of antiquities or other items of historic interest and have determined the project could adversely affect such resources.

2. Those practices listed by NRCS as exempt from culture resource review will not require consultation with SHPO..
3. When submitting a project to SHPO the submission will include at a minimum a description and location of the project and the name of the owner of the applicable land. The project planner will include any written response with the resource improvement and management plan and consider the findings during the planning process.

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PART 5

LOAN APPLICATION POLICY

- A. Loan requests will be accepted and processed from eligible applicants regardless of race, age, sex, creed, color, religion, or national origin.
- B. A request for a loan must be in writing on the ARDL Application Form (a copy of which is included at the end of this policy) and filed with the local conservation district.
- C. CD and Conservation Commission require a minimum of 90 days to process, approve, and close a loan.
- D. A request for a loan may be filed at any time during the program year.
- E. Approval of loan shall be subject to availability of funds. The CD board will give impartial consideration on the basis of program objectives and priorities approved in the District Agriculture Resource Development Loan Program Plan. It is the CD boards' responsibility to realize with available funds, the maximum economic or conservation benefit with reasonable consideration given to wildlife habitat and cultural resources.
- F. Use of loan money in conjunction with federal or other grant funds is encouraged. -- Applicants should apply for available federal or other cost-share assistance and ARDL funds on the same project. Applicants must keep in mind, however, that requests for cost-share assistance and for loan approval are handled by different governmental agencies, and approval for one does not guarantee approval for the other. *Applicants must ensure that approval of both requests has been received before proceeding if completion of the project is dependent on funds from both sources. It is recommended that district approval for both grants and loans financing a project be considered simultaneously. This will require coordination between grantors and zone resource coordinators.*
- G. Repair and replacement of practices may be eligible for loan assistance under the loan program and will be considered on a case-by-case basis.
- H. Pooling agreements and special projects. Farmers or ranchers may agree in writing to perform a project as a group to solve a mutual environmental problem on their properties. Such an agreement would consist of a master project plan, with subsidiary individual plans for each land owner. Each master plan and subsidiary plan would be subject to district approval. Each land owner would be responsible to apply separately for ARDL financing in accordance with Part 9.

- I. Period for performance of approved practice. A specific expiration date will be agreed upon and entered on each approved loan agreement. Prior to the expiration date, the farmer or rancher should report completion of the practice to the CD Board or request an extension of time to complete the practice if circumstances justify the extension of time.
- J. Privilege of appeal. Any person may, within 15 days after notice is received or made available, request the CD Board, the Zone Executive Committee, or the Conservation Commission in writing to reconsider its determination in any matter affecting the right to or the amount of loan funds with respect to the applicant.
- K. Higher priority for loans will be given to applicants that are full time agricultural producers.

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PART 6

ENCOURAGING PUBLIC BENEFITS WHEN INSTALLING PRACTICES

District Boards will encourage persons responsible for any aspect of performing practices to promote public benefit by improving or preserving environmental quality and ecological balance when the practices are being installed. Multiple objective achievements, total resource evaluation and treatment, and a systematic resolution of all resource and economic problems will receive high priority consideration for loan funds. When reviewing loan requests and making loan approvals the following considerations will be observed:

- A. Preventing or abating pollution and other environmental degradation.
- B. Benefiting the community through creation of outdoor recreational opportunities, preserving open space, or enhancing the appearance of the area.
- C. Benefiting wildlife or other desirable life forms.
- D. Preserving historic, archaeological, or scenic sites of interest.
- E. Avoiding the creation of hazards to persons or animals.
- F. Improving the condition of the range.

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PART 7

APPLICATION PROCEDURE

- A. Any person or group of persons desiring to participate in the Agriculture Resource Development Loan program must make application through the local Conservation District Board of Supervisors. A CD or UACD employee or NRCS staff member, if available, will assist in the preparation of the application.
- B. The application must be fully completed and signed.
- C. The completed application will be presented by the applicant (or representative) to the local CD board at a regularly scheduled meeting for planning approval or disapproval. Upon approval for planning, the applicant and appropriate technical personnel will be notified to proceed with planning the resource improvement.
- D. The applicant must sign up and become a district cooperator in order to receive loan assistance.

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PART 8

PLANNING RESOURCE IMPROVEMENTS

Applicant(s) and assigned technical personnel will prepare the resource improvement and management plan which will include:

- A. Resource inventories and identified resource problems and applicant objectives.
- B. Land treatment practice(s) and cost estimate, including map or aerial photograph reflecting project location..
- C. Management practice(s) and costs.
- D. Project benefits and resolution of identified resource problems with applicant objectives.
- E. Implementation schedules.
- F. Disbursement schedule, if warranted.
- G. Required clearances, easements, permits, etc.

- H. Any other appropriate documentation needed to complete the implementation of the resource improvement and management plan. NOTE: *All* appropriate resource people will be used to assist as necessary.



PART 9

PLAN REVIEW AND LOAN APPROVAL

- A. The resource improvement and management plan will be reviewed with the CD Board of Supervisors. The plan will be reviewed with the applicant(s) or their representative at a scheduled board meeting and forwarded to UDAF for loan approval by the ARDL Program administrator.
- B. The CD Board will either approve or disapprove allocation. The CD Board may request additional information before taking action. When the plan is accepted, the board will allocate funds for the project and forward the plan and application to Commission staff for policy compliance review, credit analysis and underwriting.
- C. *Maximum Loan Limit.* Total borrowings by any one entity will be limited to no more than *four percent* of the total assets of the ARDL Program as reflected on the most recent December 31 financial statement published by the Utah Department of Agriculture and Food.



PART 10

LOAN CLOSING

- A. Upon approval Commission staff will prepare loan documents. When all necessary loan documents are executed and returned to staff, the Commissioner will sign and make the final obligation of funds. At that point the borrower may proceed with the project as identified in the resource improvement and management plan. Borrowers must understand that they purchase or contract for equipment or labor prior to this point at their own risk. The Commission has no obligation to disburse funds prior to the completion of the above described procedures. Borrowers should employ good business practices in planning for and implementing ARDL Projects.
- B. Applicant will be required to cover any costs incurred for loan closing including escrow fees, title insurance, recording fees, and appraisal when necessary.



PART 11

IMPLEMENTATION OF AGREED TO PRACTICES

- A. Required technical assistance will be provided by the assigned technical agency. The contractee has the responsibility to schedule with the appropriate technical agency the necessary field assistance. Assigned technical personnel will assist the contractee in implementation activities to ensure well-designed, constructed, and managed practices. The contractee may install his/her improvements or subcontract work out to a subcontractor. Whatever method is used, the contractee will be responsible for the quality of materials and workmanship in the installation of practices identified in his/her plan.
- B. Upon completion of the scheduled practice, the assigned technical agency should be notified. The assigned technical agency will then inspect the installed practice and certify completion if it meets the quality standards and construction specifications of the practice.
- C. When certified complete by the technical agency, the borrower may submit all signed invoices and bills along with certification of completion report to the Commission staff for complete disbursement of loan funds.
- D. The ARDL program coordinator will approve all disbursements and prepare warrant (check) request(s) directing the Division of Finance to prepare each warrant payable to both the borrower and the vendor/contractor and mail it to the borrower. If the borrower is satisfied with vendor/contractor's services, he/she will endorse the warrant and submit it for payment to the vendor/contractor. If the borrower has already paid the invoice, and submits proof of payment, warrant can be payable to borrower only.
- E. The borrower will implement the practices as scheduled and may draw loan funds as work is completed and invoices are signed and submitted for payment. No more than 80% of the loan amount may be disbursed prior to completion certification. The final 20% will not be advanced until the project is certified complete by the assigned technical agency.
- F. Guidelines for financing previously owned irrigation equipment.
Note: The Commission *discourages* the use of previously owned irrigation equipment on ARDL projects because of difficulties in determining its quality. However, such equipment may be used in accordance with the following procedures:
 - 1. Previously owned irrigation equipment is limited to the above ground portion of an irrigation system including, but not limited to, hand lines and wheel lines. Electrical equipment, such as pumps, is excluded from eligibility under this definition. Any equipment or portion thereof which has previously been installed underground is excluded from eligibility for ARDL funding.
 - 2. Previously owned irrigation equipment must be inspected for quality and value by at least two independent individuals having knowledge of such equipment if the cost is more than \$10,000, one if less. A statement of qualifications of the inspectors must be submitted to the Commission staff with the inspection reports. The report shall include an estimate of the value of the equipment and a general statement about the quality and condition of the equipment being inspected.
 - 3. The current owner of the equipment shall provide to the Commission staff a signed statement as to the quality and condition of the equipment to the best of his knowledge.
 - 4. Loan advances are limited to 80% of the lowest appraised value of the equipment or 80% of the actual purchase price, whichever is lower.

5. Equipment purchased with loan funds shall be maintained in good working condition for at least the term of the loan. In the event that the equipment should fail, the loan may become due and payable within 60 days of the date of the failure. Equipment failure shall be defined as the time the project no longer meets the water management purpose for which it was installed.

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PART 12

LOAN STRUCTURE AND SECURITY POLICY

- A. Repayment schedule will be detailed in the loan agreement and promissory note with a 12-year maximum loan term. All loans will be fully amortized with payments due at least annually. Interest rate will be *three* percent. One month before payment is due, the ARDL program coordinator will send out an account statement and billing.
- B. The Utah Conservation Commission has concerns about the stability and sustainability of the agricultural sector of our economy and the ability to properly secure agricultural loans. To facilitate conservation practices on the land while ensuring the solvency of the program, the following procedures will be followed in securing loans:
 1. Loans will be for no more than *70* percent of the value of the debtor's equity in the collateral, Loan to Value (LTV) as established by a valid third party appraisal or current county tax assessment notice.
 2. Applicants will provide a current written appraisal of the market value of all properties which are to be used as collateral (chattel and real estate).
 3. Chattel property must be marketable and can be used as collateral on loans for projects of no more than *\$25,000* and for a maximum term of *five* years.
 4. Loans secured by stock in irrigation companies may be written for up to a 12-year term provided the certificates are pledged and the value is established by a valid third party or appraisal acceptable to the ARDL program coordinator.
 5. A title insurance commitment is required on all real estate and UCC-1 clearance is required on all chattel properties to be used as collateral to ensure that they are lien free.
 6. When the title report indicates an existing lien or encumbrance on property to be used as collateral, the existing lienholder(s) should be requested to subordinate their interest in favor of the Commission.
 7. Whenever a corporation, limited partnership, or limited liability company acquires a loan, its principal(s) are required to sign the note personally.
 8. Applicants must provide complete financial statements with cash flow projections to demonstrate debt service capacity.
 9. A second mortgage (trust deed) can be approved when:
 - (a) First mortgage balance is no larger than *twice* the amount of our second lien.
 - (b) First mortgage balance does not exceed *\$100,000*.
 - (c) Combined loan balances do not exceed *60* percent LTV.
- C. These procedures are reviewed at least annually and amended as needed to meet the needs of the program.
- D. When warranted, and at the discretion of the ARDL program coordinator, existing loans can be combined with a new application for funding in order to enable borrowers to secure all ARDL indebtedness with one trust deed or shares in an irrigation company. The intention is to accommodate borrowers who have sufficient security and repayment capacity. Administrative fees will be paid only on the new funds being borrowed. The following restrictions will apply:

1. Loans can be consolidated one time only.
 2. Loan to value ratio can be no greater than 60 percent.
 3. Principal only can be refinanced.
 4. Term is limited to 10 years maximum.
 5. Only ARDL debt can be refinanced.
- E. The administration fee was established in 1976 because the original legislation required that the administrative expenses for operating the loan fund be covered by the parties to the loan contracts. It was necessary that an administration fee be charged because the loans were interest free. It has subsequently been set at *four* percent (4%) to be paid at the inception of the loan or added to the loan total. The funds are remitted to the UACD to help finance their operations and pay for loan marketing and administrative activities.
- F. *Requests for refunds of administration fees.* The following policy as regards requests for refunds of administration fees will be followed:
1. For those loans on which any funds in addition to the fee have been disbursed there should be no refund.
 2. For those loans canceled by the borrowers prior to any disbursements for project costs, one half of the fee should be refunded. However, on small loans (those for which the fee is less than \$1,000), only that in excess of \$500 should be refunded, and on large loans, all fee monies in excess of \$2,000 should be refunded.
 3. The Commission retains the prerogative to make exceptions for cases deemed to be extraordinary.

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PART 13

PROGRAM ACCOUNTABILITY

- A. Accountability for the ARDL program will be achieved by:
1. Review of loan requests will be made by local CD Board of Supervisors. The ARDL program coordinator or designee will approve credit for each borrower from financial information submitted.
 2. Local CD Boards will be responsible for the preparation of annual status review reports on each incomplete project which will be reviewed by the Zone Executive Committee and the Commission.
 3. Technicians will certify quality control of applied practices through the use of NRCS accepted standards and specifications, when applicable.
 4. Commission staff will prepare an annual report covering loan activity and utilization of funds.
 5. An annual spot check list will be created and distributed to zone coordinators in accordance with the UACD contract.
- B. The following describes those responsible for the program.

Administrative and Technical Assistance Responsibilities With Position Titles

STATE LEVEL	ZONE LEVEL	DISTRICT LEVEL
Conservation Commission	Zone Executive Committee (ZEC)	Conservation District (CD)
	Administration	
<p>Commission:</p> <p>10-member policy group who have total program direction and accountability. Adopt and carry out administrative guidelines. Provide and manage state level staff. Work with state legislature and administrative branches of government in funding and budgeting. Distribute funding authorization to zone level.</p>	<p>Committee:</p> <p>One member from each district, plus chairman for each of seven zones. ZEC gives program direction and accountability at zone level. Administers ZEC responsibilities, provides and manages zone Level staff, coordinates zone support for funding and budgeting efforts, and allocates zone funds to district level.</p>	<p>Board:</p> <p>Five member locally elected supervisors. There are 38 CD's in the state. The Board gives district level program direction and accountability. Administers guidelines at district level, advertises program and distributes applications, and assists in legislative effort for future funding.</p>
<p>Chairman:</p> <p>Commissioner, Utah Department. of Agriculture and Food (UDAF)</p>	<p>Chairman:</p> <p>Primary Commission Member/Zone Director</p>	<p>ZEC representative:</p> <p>Usually chairman, but specific to district.</p>
<p>Staff Director:</p> <p>Director, Conservation and Resource Management Division, UDAF</p>	<p>Vice Chairman:</p> <p>Alternate Commission: Member/Zone Director Alternate ZEC Member</p>	
	<p>As assigned by Board.</p>	
<p>ARDL Program Coordinator:</p> <p>Administrator Loan Programs, UDAF. Overall state level program management. Interprets guidelines, supplies forms, oversees loan underwriting and disbursement, accounting and collection, and supervises accounting and clerical work.</p>	<p>Resource Coordinator:</p> <p>Zone Coordinator Assists State-Level ARDL Program Coordinator to carry out specific tasks of loan program.</p>	<p>ARDL Coordinator:</p> <p>As assigned by Board, supervisor or employee specific to district does the staff work needed at district level. They may or may not be the supervisor who is assigned to a specific applicant project.</p>
<p>ARDL Special Projects</p> <p>Water Quality Specialist, UDAF, manages watershed improvement and energy sub-programs. Receives and processes these sub-program applications for Commission action.</p>	<p>Educational Supervisor</p> <p>Administrative Assistant CC. facilitates program instruction and educational efforts.</p>	
	Technical Assistance	
<p>NRCS:</p> <p>NRCS Commission Liaison, State</p>	<p>NRCS:</p> <p>District Conservationist serving zone.</p>	<p>NRCS:</p> <p>DC or Personnel assigned to district.</p>

Office Representative.	NRCS qualified planners employed by UACD or Districts	
Utah Department of Natural Resources, Utah Department of Environmental Quality.	Utah Department of Natural Resources:	Utah Department of Natural Resources:
Associate Director (Commission member). Coordinates TA Support at state level for divisions of: Water Resources, State Energy Office, State Lands and Forestry, and Wildlife Resources ,Water Quality.	Division regional supervisor with zone.	Local level division personnel.

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PART 14

CREDIT GUIDELINES AND COLLECTION POLICY

These credit guidelines are established to provide for reasonable management of risk to the program and to protect borrowers from excessive debt. Even though these loans are made at a low interest rate for the purpose of encouraging conservation and resource development, they must still be repaid. This section sets forth the requirements for determining the eligibility of an operator for a loan. UDAF loan specialists will serve as loan officers for all loan applications.

A. Standards for acceptable loans:

1. There shall be adequate assets and primary collateral for security to protect the State from loss.
2. The borrower must demonstrate the capacity to repay.

B. Credit information shall be sufficient to support the loan requested, and reasonably verified.

C. Information needed prior to loan approval:

1. All loans - documents/forms required.
 - (a) Loan application.
 - (b) Financial statements.
 - (i) A current balance sheet, no older than six months.
 - (ii) Income and expense statement for the most recent two years or federal tax returns.
 - (c) Credit reports.
 - (i) On all new loan applications, a credit report should be obtained to establish past payment history and obtained available information regarding suits, judgments, etc.
 - (ii) Searches of public records, such as County Clerk, Recorder, Department of Commerce (UCC filings), etc. when required.
 - (d) Field inspections are required for large or unusual transactions.

- (i) They are useful in determining loan and security positions, providing repayment estimates, and verifying agricultural assets.
 - (ii) A properly completed field report will comment on the applicant's management ability.
 - (iii) They should be used to secure a complete and accurate description of collateral from the security agreement on such items as equipment, livestock, crop locations, etc.
 - (e) Budget and cash flow projection.
 - (i) Projections should be prepared on any complex loan where the cash flow analysis will aid in making a credit decision.
 - (iv) Cash budget should be prepared by the applicant and reviewed by the loan officer.
 - (v) May be waived on less complex loans and loans that have an abundance of collateral.
2. Real estate secured loans.
- (a) Title insurance commitment reflecting *exact* legal description and title vesting is required.
 - (b) Real estate documentation of value will consist of one of the following:
 - (i) Real estate valuation can be determined by a copy of current county tax assessor valuation notices. Irrigated land values require applicable water rights.
 - (ii) A copy of an appraisal report, no older than one year, made by a certified general appraiser and reviewed by loan officer..
 - (c) If the State is a junior lien holder, a Request for Notice of Default should be recorded.
- D. Liens on all personal property (chattel) security will be properly perfected in accordance with applicable laws. Where applicable, a security agreement is required. A lien search will be obtained on all non purchase money chattel security.
- E. Loans will be approved by the ARDL Program Administrator. When the total outstanding and committed borrowings to any one legal entity exceed \$200,000 all new credit will be approved by either the Executive Committee of the Commission (consisting of the Commissioner of Agriculture, the President of UACD and one other Commission member chosen at large) or a designated loan approval committee with authority delegated by the Commission. Approval will require a majority vote of the approving committee. A formal meeting of the approving committee may be held, but is not necessary, as voting members may be polled by telephone, email, or other method of communication. All credit approved on this basis will be reported to the Commission at the next following Commission meeting. Applications of less than \$2,000 will not be accepted.
- F. All property within the State of Utah having readily identifiable market value may be considered as acceptable security for these loans. Collection Policy. The following procedures will be followed on delinquent loans:
1. *30 Days Past Due:* If payment has not been received within 30 days after due date, a delinquent notice reflecting the amount due including penalty will be sent to the borrower.
 2. *60 Days Past Due:* If payment has not been received within 60 days after due date, a second delinquent notice will be sent out. Personal contact will also be made by the CC staff with the borrower during this time period to try to collect the payment. The Conservation District involved with the project may also be notified.
 3. *90 Days Past Due:* If payment has not been received within 90 days after due date, a third delinquent notice will be sent out. This notice may also advise the borrower that payment must be made or other satisfactory arrangements made with the commission staff within 30 days or the account will be assigned to our Agency Counsel for appropriate action. Attempts to make personal contact by CC staff will be made during this period of time to try to collect the payment or make acceptable arrangements with the borrower.

4. *120 to 180 Days Past Due:* Commission staff will work with the borrower to make satisfactory arrangements for payment of past due amounts. This may include modifying of the terms of the original contract to meet the borrower's ability to perform on the obligation. Taking additional or substitute collateral if the lender is deemed insecure, or any other appropriate actions to provide service for the borrower and protect against loss should be done. As a last resort, if it appears that the borrower will be unable to pay the loan, the account will be assigned to the Attorney General's office for collection and foreclosure proceedings. These actions would be at the discretion of the Loan Program Coordinator.

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PART 15

EMERGENCY SUBPROGRAM

- A. The purpose of this part is to provide loan funds for installing conservation practices and watershed protection measures necessary due to unusual and extraordinary circumstances such as flood, drought, or other natural disasters.
- B. *Watershed Designation.* Areas where damage has occurred or is about to occur are eligible for designation by the Commission. The Commission shall designate areas eligible for funding based on degree and severity of damage and amount of loss as demonstrated in the Agricultural Damage Report as considered by the County and State Emergency Boards. Priority will be given to those areas with the highest total agricultural loss.
- C. *Eligible Activities.* Those activities that minimize future damage will be given highest priority. Descriptions of eligible practices can be found in Part 18. For specifications and standards see the local NRCS office.
- D. *Other requirements.*
 1. Coordination: The nature of disaster situations requires that special emphasis be placed on the program coordination. Coordination of activities will minimize problems and maximize output. Coordination will be accomplished at the local level through the County Emergency Boards. The Boards shall be informed of all applications through this program.
 2. Permits: All necessary permits must still be obtained prior to practice installation.
 3. Plans and Specifications: These will remain as found in the Farm Service Agency (FSA), and Emergency Watershed Program (EWP) guidelines. Local Conservation Districts may request exceptions from the Commission based on site specific differences.
- E. *Applications.*
 1. Loan applications under this part are made through the local Conservation Districts. Application requirements are the same as those found in Part 7, except that a statement of the type and nature of the emergency shall be included in the application.
 2. Applications may receive expeditious treatment through emergency CD meetings held for the sole purpose of processing emergency loan requests.

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PART 16

WATERSHED SUBPROGRAM

- A. The Commission recognizes that special needs exist in certain watersheds of the State. These needs may be met with loans provided to operators within priority watersheds. This section has been established in recognition of such needs, and the purpose of this part is to set aside funds for priority watersheds as identified by the Commission. The priority watershed designation does not exclude funding under any other part of this policy. Applications under this section should be designed to meet special pollution, erosion, or flood control needs not suited to individual solution.
- B. The purposes of this part are to:
1. Provide the necessary administrative framework and financial assistance for the implementation of measures to meet non-point source water pollution abatement, erosion control, and flood control needs.
 2. Provide coordination with elements of the conservation program in order to ensure that all activities and limited resources are fully utilized in the achievement of program objectives.
 3. Focus limited technical and financial resources in critical geographic locations through the selection of priority watersheds where problems are the most severe and control the most feasible.
 4. Provide technical and financial assistance to individuals in the application of necessary measures for the control of pollution and erosion from agricultural activities ,and enhance water quality and quantity.
- C. *Priority watershed designation.*
1. When needed, the Commission will designate annually no less than five or more than ten priority watersheds. Priority watersheds must be watersheds that contribute to the flow of a designated priority stream segment as identified by the Utah Department of Environmental Quality in the annual 305(b) Water Quality Report. Priority watersheds must contribute significantly to non-point source water pollution, erosion or flooding and such source must be primarily agricultural and must present reasonable opportunity for control.
 2. The Commission will review each watershed with the advice of local districts and establish priorities.
 3. The following factors may be considered in establishing priority watersheds:
 - (a) Size of watershed.
 - (b) Downstream water use impairment.
 - (c) Public input.
 - (c) Soil loss rating - degree of erosion.
 - (d) Degree of flooding experienced or potential for future flooding.
 - (e) Other federal, state, or local agency input.
 - (f) Cost of restoration.
 - (g) Benefits of restoration activities.
 - (h) Amount of private agricultural land.
 - (i) Land use.
 - (j) Wildlife values.
 - (k) Water resource values.
 - (l) Potential for development.
 - (m) Economics.
 - (n) Social values.
 - (o) Esthetics.
 - (p) Water quality.

- D. *Eligible activities.* All those activities and practices eligible for funding, under other sections of this program, are eligible under this section provided that such activity is beneficial to the purposes of this part..
- E. *Project development.*
1. In addition to the regular individual application, proposals under this section should include the following information: (It is not necessary to repeat the information for each individual in a group project.)
 - (a) Name of priority watershed.
 - (b) Problem resolved or reduced by practice implementation.
 - (c) Anticipated project benefits and description of project purpose as related to this section.
 - (c) Description of other funding sources.
 - (d) Implementation schedule.
 - (e) Coordination mechanisms.
 - (f) Monitoring and evaluation plan.
 - (g) Project cost benefit ratio.
 2. The local CD will review the completed proposal as to adequacy and appropriateness. If the district approves the proposal, it will be submitted to the Commission for consideration. The district may disapprove the proposal if it does not comply with this part, or request further information.
 3. Group projects are encouraged under this section and these will be given highest priority. Consolidation of individual projects, where appropriate to meet the purposes of this part , is permissible.
 4. The Commission shall consider watershed project loan requests when proposed. If funding is not sufficient to meet all requests deemed appropriate to this section, then the Commission utilizing the following criteria shall prioritize applications:
 - (a) Project benefit cost ratio.
 - (b) Time frame for implementation.
 - (c) Public input.
 - (d) Input from other agencies.
- F. All agreements entered into under this part shall be subject to all applicable procedures and requirements under other parts of this program.

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PART 17

ENERGY CONSERVATION PROGRAM

- A. The agriculture industry is energy intensive and the costs of fuel and power greatly affect the sustainability of any operation. The purpose of this part is to provide funds for projects that assist in conserving or developing of farm energy resources. These projects should be consistent with the soil and water conservation program. Innovative and high cost projects require additional procedures for approval.
- B. All energy conservation projects requiring financing of more than \$250,000 must be approved by the Commission prior to funding unless they have been exempted. Exempt projects will include conventional, commonly accepted practices that employ efficient methods to reduce energy use such as projects that enable farms to use natural gas or electric power instead of more expensive energy sources, or the application of insulation or other projects commonly used to conserve energy.
- C. Energy conservation project applications will be handled as described in Part 7 APPLICATION PROCEDURE. In addition to the data required on the application form, the following information will be included:
 - 1. Detailed project description.
 - 2. Quantification of energy to be conserved or developed.
 - 3. Other funding sources and amounts.
- D. Application Review.
 - 1. A feasibility study to determine the cost-benefit of each nonexempt application will be completed. The feasibility study may be performed by a private consultant or a request may be made to the Commission for technical assistance from the Utah Energy Office or the USU Cooperative Extension Service. Feasibility studies are only eligible for loan funding as a percentage of approved project cost after the total project receives approval by the Commission. If the project is not approved, the applicant will be responsible for the feasibility study costs. Feasibility study will include input of other affected agencies and individuals
 - 2. The Energy Conservation and Development Review Committee consisting of one member from: the Conservation Commission, the Utah Department of Agriculture Energy Conservation Program Coordinator, the Utah Energy Office, and USU Cooperative Extension Service, shall be established to review and rank applications.
 - 3. Criteria for Application Consideration: The review committee shall rank applications and make recommendations to the Commission for funding. The following criteria shall be used by the committee to rank projects:
 - (a) Number and amount of non-Commission funding sources.
 - (b) Project cost-benefit ratio.
 - (c) Adequacy of project to meet stated objectives.
 - (d) Input of other affected agencies and individuals.
 - 4. Eligible Activities. Any activity which shows through the feasibility study to conserve energy or provide low cost energy from a previously undeveloped source, and which has a cost-benefit ratio greater than one with or without subsidization, is eligible for funding under this section. The Commission will make final funding determination.

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PART 18

ELIGIBLE PRACTICES

The following list includes the eligible practices for the (Utah) ARDL Program. It has been developed from the USDA NRCS Conservation Practices list, with all inapplicable practices eliminated. For further information and details of these practices, please refer to the NRCS Conservation Practices Handbook or consult the internet under <http://efotg.sc.egov.usda.gov/treemenuFS.aspx>

Practice Name & Unit(s)	Practice Code	Current National Standard	Current Utah Supplement	Current Utah Specs.	Current Utah Job Sheet
Access Road (ft.)	560	Jul-10	Aug-10		
Aquaculture Ponds (ac)	397	Jan-10	Apr-10		
Brush Management (ac.)	314	Sep-09	Apr-82		
Channel Bank Vegetation (ac.)	322	Oct-77			
Channel Bed Stabilization (ft)	584	Sep-10			
Clearing & Snagging (ft.)	326	Oct-80			
Composting Facility (no.)	317	Dec-90			
Conservation Power Plant (no)	716	Apr-09			
Constructed Wetland (ac.)	656	Aug-98			
Contour Buffer Strips (ac.)	332	Mar-97			
Critical Area Planting (ac.)	342	Oct-77	May-77		Spec. Sh.
Cross Wind Ridges (formerly 589A) (ac)	588	Jul-02			
Cross Wind Traps (formerly 589C) (ac)	589	Feb-05			
Dam, Diversion (no.)	348	Oct-77		Jul-91	
Dam, (no. & ac.ft.)	402	Oct-77			
Dike (ft.)	356	Oct-80		Jul-91	
Diversion (ft.)	362	Oct-85	May-89	Feb-91	
Drainage Water Management	554	Sep-08			
Fence (ft.)	382	Apr-95	Nov-82		Spec. Sh.
Filter Strip (ac.)	393	Mar-97			
Firebreak (ft.)	394	Jun-94	Jul-93		Spec. Sh.
Fish Raceway or Tank (m., ft. & m3/s., ft3/s.)	398	Jun-84	Jan-82		
Fishpond Management (no.)	399	Oct-77	Jul-82		Spec. Sh.
Floodwater Diversion (ft.)	400	Oct-77			
Floodway (ft.)	404	Oct-77			
Forage and Biomass Planting	512	Apr-10			
Forest Harvest Trails & Landings (ac.)	655	May-96			
Forest Site Preparation (ac.)	490	Jun-94			
Forest Stand Improvement (ac.)	666	Jun-94	Jul-93		
Grade Stabilization Structure (no.)	410	Oct-85		Jul-91	
Grassed Waterway/Vegetated Filter System (ac.)	412	Oct-85			
Grazing Land Mechanical Treatment (ac.)	548	Apr-95	May-82		
Hedgerow Planting (ft.)	422	Oct-77			
Herbaceous Wind Barriers (ft.)	422A	Jun-94			

Irrigation Canal or Lateral (ft.)	320	Oct-77		
Irrigation Land Leveling (ac.)	464	Oct-80		May-89
Irrigation Reservoir (no. & ac. ft.)	436	Oct-77		
Irrigation System				
Trickle (no. & ac.)	441	Apr-82		May-89
Sprinkler (no. & ac.)	442	Oct-87		May-89
Sprinkler (no. & ac.) Center Pivot				Jul-91
Sprinkler (no. & ac.) Wheel Line				Jul-91
Surface & Subsurface (no. & ac.)	443	Oct-78	Jul-99	May-89
Irrigation System, Tailwater Recovery (no.)	447	Oct-78	Apr-81	
Irrigation, Ditch Lining	428	Sep-09		
Flexible Membrane (ft.)	428B	Sep-09		
Irrigation Pipeline	430	Sep-09		
Land Clearing (ac.)	460	Oct-77	Apr-81	
Lined Waterway or Outlet (ft.)	468	Oct-77		
Mulching (ac.)	484	Oct-77	Jun-82	
Obstruction Removal (ac.)	500	Oct-80	Apr-81	
Open Channel (ft.)	582	Oct-87		May-89
Pipeline (ft.)	516	Oct-85	May-85	Jul-91
Pond (no.)	378	Oct-87	May-89	May-89
Pond Sealing or Lining				
Flexible Membrane (no.)	521A	Jun-84		
Soil dispersant (no.)	521B	Oct-77		
Bentonite Sealant (no.)	521C	Oct-77		
Compacted Clay Treatment	521D	Sep-09		
Prescribed burning (ac.)	338	Jun-94	Apr-85	
Prescribed Grazing (ac.)	528	Jun-94		
Pumping Plant for Water Control (no.)	533	Oct-77		Jul-91
Range Planting (ac.)	550	Apr-95		Aug-87 Spec. Sh.
Riparian Forest Buffer (ac.)	391	May-96		
Riparian Herbaceous Cover (ac.)	390	Aug-98		
Rock Barrier (ft.)	555	Oct-77		
Roof Runoff Management (no.)	558	Jun-84		
Runoff Management System (no. & ac.)	570	Oct-78		
Salinity and Sodic Soil Management (ac)	610	Sep-10		
Sediment Basin (no.)	350	Oct-78		
Shallow Water Development and Management	646	Aug-98		
Spoil Spreading (ft.)	572	Oct-80	Apr-81	Jul-91
Spring Development (no.)	574	Oct-87		Jul-91
Stream Habitat Improvement and Management	395	Jun-07		
Streambank & Shoreline Protection (ft.)	580	Oct-85		Jul-91
Stripcropping Field	585	Sep-08		
Structure for Water Control (no.)	587	Oct-77		May-89
Subsurface Drain (ft.)	606	May-88	Apr-83	
Surface Drainage				
Field Ditch (ft.)	607	Oct-78		
Main or Lateral (ft.)	608	Oct-78		
Terrace (ft.)	600	Apr-82	Aug-87	Feb-91
Tree/Shrub Establishment (ac.)	612	Jun-94	Jul-93	Pltng Plan
Tree/Shrub Pruning (ac.)	660	Jun-94	Jul-93	
Underground Outlet (ft.)	620	Dec-90		
Upland Wildlife Habitat Management (ac.)	645	Aug-98		
Vegetative Barriers (ft)	601	Jan-10		
Vertical Drain (no.)	630	Oct-77		
Waste Facility Closure (no.)	360	Jul-11		
Waste Storage Facility (no.)	313	Oct-03		
Waste Treatment Lagoon (no.)	359	Jun-84	Jan-95	Sep-94
Waste Recycling (ac.)	633	Oct-03	Jun-97	

Water Harvesting Catchment (no.)	636	Oct-78			
Water & Sediment Control Basin (no.)	638	Oct-85		Feb-91	
Watering Facility (no.)	614	Sep-10			
Waterspreading (ac.)	640	Oct-85	Jan-88	Jan-88	
Well (no.)	642	Apr-80		Jul-91	
Wetland Creation (ac.)	658	Aug-98			
Wetland Enhancement (ac.)	659	Aug-98			
Wetland Restoration (ac.)	657	Aug-98			
Wildlife Watering Facility (no.)	648	Aug-98	Oct-97		
Windbreak/Shelterbelt Establishment (ft.)	380	Jun-94	Jul-96	Jul-96	Spec. Sh.
Windbreak/Shelterbelt Renovation (ft.)	650	Jun-94			

In addition, any other resource conservation practices specifically approved by the Commission.

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PART 19

EMERGENCY PRACTICES

- A. Removing debris from farmland.
 - 1. Apply this practice to farmland, including farmsteads and roadways on farms on which debris has been deposited by wind, flood, or other disaster.
 - 2. Loans are authorized for removing from farmland debris that meet one of the following criteria:
 - (a) It materially affects the productive capacity of the land.
 - (b) It is of magnitude that requires heavy or specialized equipment to handle.
 - (c) Its disposition on farmsteads and roadways significantly interferes with normal farming operations.
 - 3. Specifications - project plan shall provide details of any requirements (such as type of debris to be removed, manner of disposition, costs, etc.) upon which loans are conditioned.
 - 4. Technical Responsibility - Assigned to appropriate technician.

- B. Other emergency practices will be handled under the provisions of Part 18, or through special consideration by the Commission.



Date Rec'd: _____
SCD: _____
Zone: _____
Loan Amt: \$ _____
Signed: _____
Zone Coordinator

UTAH CONSERVATION COMMISSION

P O Box 146500
Salt Lake City, Utah 84114-6500

Application for
AGRICULTURE RESOURCE DEVELOPMENT LOAN (ARDL)
(Project planning approval and financing)

Complete all sections, type or print legibly.

1. Full Name: _____ Social Security Number _____
 Co-applicant's
 Full Name: _____ Social Security Number _____

Name of any partnership or corporation: _____

Address: _____
Street number PO Box City State Zip

Please include your correct mailing address in addition to your street address if they are not the same.

Home Phone: (____) _____ - _____ Business Phone: (____) _____ - _____

Email Address: _____

2. LOAN PURPOSE: Please check applicable conservation program(s):

- | | | |
|--|--|--|
| <input type="checkbox"/> Range Development | <input type="checkbox"/> Water Conservation | <input type="checkbox"/> Manure Management |
| <input type="checkbox"/> Flood Damage | <input type="checkbox"/> Watershed Improvement | <input type="checkbox"/> Energy Conservation |
| <input type="checkbox"/> Other Disaster Mitigation | | |

3. Total Project Cost: _____ USDA Grants _____ Amount: \$ _____
 Other funding _____ Amount: \$ _____

4. Estimated amount of ARDL funds needed: \$ _____

5. Loan term requested: (Maximum is 12 years for real estate secured, 5 years for chattel secured): _____.

6. Describe location of the project (relative to town or other well-known landmark), and acreage affected.

7. Describe the conservation problem to be addressed by your proposed plan:
